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Credit at the grassroots

African credit unions spur development

By ***David J. Thompson***

People in Africa's villages and poor urban neighbourhoods are not waiting for governments, international financial institutions and non-governmental organizations (NGOs) to make faster progress in dealing with the continent's economic ills. Many Africans are choosing self-help. They are turning back to grassroots solutions for revitalizing Africa, uniting traditional practices with more contemporary forms.

Credit unions are one of the tools Africans are using with increasing frequency to shape their own destiny and to quietly lay the basis for the next century. Already they claim some 5.6 million members — more than three times the number a decade ago — and are estimated to benefit as many as 40 million people. They are investing in the future by investing in their own communities.

Carolyn Watson / Catholic Relief Services

Members of a village bank in Bailandour, Senegal, meet to discuss its operations: across Africa savings and credit unions are playing an increasingly important role in mobilizing local financial resources and funding entrepreneurship.

As they do around the world, credit unions in Africa promote the discipline of regular savings and responsible credit. The credit unions' interest rates are structured so that depositors receive and borrowers pay an equitable rate, and their pool of savings becomes an instrument of credit for productive purposes. In an era of scarce financing, credit unions can help mobilize local capital and stimulate the growth of small-scale business activities.

Along with other forms of cooperative effort, credit unions can play a potentially significant — and essential — role. "African credit unions are important because the banking system is limited, especially in rural areas. Without credit unions, people are forced to go to money-lenders to meet their basic needs," remarked Ms. Victorine Kpohazounde, the acting director of the African Confederation of Cooperative and Savings and Credit Associations (ACCOSCA), in 1994.

Commercial banks in Africa generally have not been able to provide financial services of the kind needed and demanded by small farmers, artisans and urban micro-entrepreneurs. And state institutions are less able to support local economic activities, due to inefficiency or the contraction of the public sector brought about by economic liberalization. The credit union model is especially suited to serving Africa's much-neglected rural populations.

A lasting value of credit unions is their "people-centred" development approach, which fosters pride in the progress of the institution and its members. Through their credit unions, members learn about democratic practices, control over their own future and institution-building. The emphasis credit unions place on education and training creates more involved members, and therefore more capable boards, managers and staff and better decisions. A successful credit union mobilizes its members' resources to build the local economy and to become a credible local financial institution. As the World

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Karen Kaplan, John Schlueter and the staff of the World Council of Credit Unions for provided background materials for this Briefing Paper.

Council of Credit Unions (WOCCU) has noted, such organizations have a broad impact: producing sustainable economic growth, empowering people at the grassroots and promoting democracy.

"Credit unions are schools of democracy and can serve many functions," Mr. Kwedie Mkalipi, General Manager of the Savings and Credit Cooperative League of South Africa (SACCOL), told the World Economic Development Congress in New York in 1994, the year of South Africa's first free elections. "Years before the multiracial election was held," he noted, "SACCOL was out in the townships." Mkalipi himself spent 20 years in prison on Robben Island for his activities. In South Africa, as elsewhere, many credit union leaders go on to become leaders in their community.

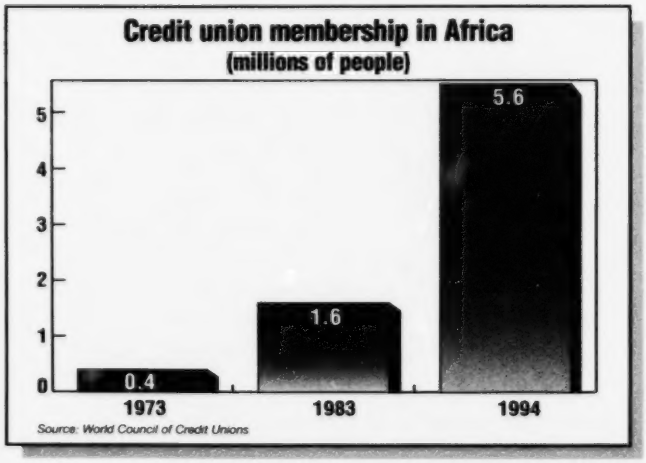
Credit unions have the opposite impact of most commercial banks, which too often drain capital out of rural areas.

I. Credit unions in Africa

Although the credit union movement had begun forming in Africa a decade earlier, it was in 1968 that African cooperative leaders meeting in Nairobi, Kenya, established the first African regional savings and credit organization. National associations from 13 African countries became the charter members of the first pan-African credit union organization, ACCOSCA. Its founding mission was to promote the formation of new credit unions and provide assistance in the development of credit unions.

Today, ACCOSCA comprises national credit union movements from 28 countries in sub-Saharan Africa. These national movements represent more than 20,000 local credit unions, with a combined membership of over 5.6 million, a 1,200 per cent increase since 1973. One study found that approximately seven family members benefit from each credit union membership.

In 1994, the 24 national movements for which data are available amassed $468 mn in savings and had almost $291 mn in outstanding loans (see table, page 5). The three countries with the highest credit union membership in relation to adult population are Seychelles (18.7 per cent), Kenya (11.7 per cent) and Zambia (7.6 per cent). However, Kenya's 1,285,000 credit union members, with their savings of nearly $338 mn, have created by far the financially strongest movement in Africa.



The concept behind formally organized credit unions has a natural linkage to the successful informal savings clubs operating at the grassroots level throughout the continent. In Ethiopia they are called *ekub*; in Cameroon, *dyanggi* or *tontines*; in Uganda, Malawi, Zambia and Zimbabwe, *chilemba*; in South Africa, *stokvels*; and from Zaire to Liberia, variants of *esusu*. In all the cases these close-knit savings and lending circles are integral to economic life. Everyone in the circle has a say and there is a high degree of responsibility for repaying the money and putting in one's share. Some operate for social purposes, such as weddings and funerals, while others play a key role in financing fledgling entrepreneurs. Indigenous savings and credit associations are far more widespread than any other form of self-help organization. In Nigeria, for example, between 30 and 50 per cent of the adult population is involved with an *esusu*.

II. Foundations for the future

Both credit *and* savings

Credit unions play an important role in Africa in developing sustainable growth by providing credit to producers and entrepreneurs, as well as by encouraging people to save.

Small-scale producers, especially farmers, seldom have access to credit because most commercial banks do not have the structures or inclination to fund them. Thus, by funding local entrepreneurship and production, credit unions bridge a vital gap, ensuring, for example, that farmers have better access to credit to increase food production or to market their crops.

Just as importantly, by mobilizing local savings, credit unions increase net capital for economic development. They have the opposite impact of most commercial banks, which too often drain much-needed capital out of the rural areas.

"There is general agreement that domestic savings must constitute the main basis for investment in national development," says a UN Food and Agriculture Organization (FAO) report on Africa. "The integration of savings mobilization in development strategies, in particular, rural development, should yield more important benefits: it could contribute to the establishment of viable credit institutions, to a reduction in credit delivery and recovery costs and to a more equitable income distribution."

Unfortunately, like many other financial institutions in Africa, credit unions are often perceived as solely lending

institutions. But in response to members' needs, much more focus is now being placed on the role of credit unions as savings institutions.

According to Mr. José Garson, a senior technical advisor on banking and credit at the UN Capital Development Fund (UNCDF), "Today's interest in micro-enterprises does not place enough emphasis on the importance of encouraging savings. In West Africa, for example, poor regions save a lot, but there are too few places where people can place those savings." Depositing savings in credit unions can allow the money to come into the economy at the local level and be available to fund micro-enterprise development.

World Council of Credit Unions

Women voting for the board of directors of the Garnkeley Credit Union in Niamey, Niger: such member-run organizations help empower people and promote democracy at the grassroots.

An emphasis on savings is the mark of all successful credit union movements. The dynamic relationship of meeting and matching members' needs for savings and credit signifies a financially sound credit union. Further, transferring surplus funds from one credit union to another to match credit demand becomes possible when the individual credit unions act within a national system. When local credit unions are strengthened by a second tier they can reach many more people.

Empowering women

Each week at the Techiman Women's Market in Ghana, 10,000 customers flock to buy food, furniture, fabrics and other goods. Five hundred women operate the market, one of the largest in Ghana. Before they established the Techiman Women's Market Credit Union, these merchants had to get their capital from money-lenders, who charge interest rates of 50-60 per cent annually. Now the credit union charges 18 per cent, and also provides a safe place for the traders to deposit their savings.

With assistance from the Canadian Cooperative Association, credit is available from the credit union to help generate income-producing activity. In the beginning, members did not understand why they had to pay back the money. As a result, the delinquency rate was over 40 per cent. Since then, the members have learned about repayment and the need for the credit union to be self-sufficient, with the delinquency rate falling to a manageable 3 per cent.

Unlike the traders of the Techiman market, few women in developing countries have access to financial services due to gender, religious, legislative and cultural barriers. Yet the evidence collected by WOCCU shows women to be good savers and responsible borrowers.

The World Bank too, in a 1995 report entitled *Strategy for Reducing Poverty and Hunger,* recognized that "many of the successful programmes have found that women — the borrowers most often discriminated against — are capable entrepreneurs with profitable small-scale projects and surprisingly low loan delinquency rates. Small-scale credit is therefore a particularly effective way to reach women and help them increase income and their children's calorie intake."

In Senegal, WOCCU carried out a project in 1992-95 in partnership with the National Council for the Promotion of Credit Unions (CONACAP) that was specifically designed to develop ways to bring more women into credit unions. The project worked with women's associations to promote membership by providing training, particularly in reading and writing. By mobilizing savings and funding micro-enterprise activity, the project's goal was to encourage the diversification of women's work away from subsistence activities in order to help them break out of the cycle of poverty.

In Niger, WOCCU and the German aid agency, GTZ, have given technical support to village-level cooperative savings and credit banks known as "mutuals." Their number has grown from five in 1990 to nearly 80 banks now registered with the Ministry of Finance. Eighty per cent of their members are women, who use the banks as safe places to keep their savings as well as sources of loans to invest in domestic animal breeding, market trading and other small-scale business ventures.

Bridging the credit gap

Helping people to move from the poorest circumstances to entrepreneurship requires a range of appropriate financial partners and institutions. But people seeking to climb the rungs of micro-enterprise still find too many gaps in Africa's financial ladder.

As a result, the numerous programmes of rotating credit associations are extremely popular in Africa at this time. Because of their focus on micro-enterprise development and self-help, the credit associations receive significant inflows from international donor agencies. For example, a programme in West Africa called Credit with Education, sponsored by the

US-based Freedom From Hunger Foundation, organizes poor women into village credit associations of about 20-30 members each. After a programme of group training, the associations are lent money, which they in turn lend to their members. The current individual loan averages the equivalent of $53. Operating in Ghana, Burkina Faso, Mali and soon Togo, Freedom From Hunger is developing indigenous partner organizations to eventually run these projects.

However, the type of credit offered in such initiatives is limited to very small loans. Once an entrepreneur expands her or his activities, the original credit association is incapable of fostering the next stage of business growth. The borrower generally has no institution to go to, except back to the private money-lenders who charge exorbitant interest rates.

By strengthening their savings base and building upward into national organizations, credit unions can have a greater impact, while also lessening their dependence on donor resources.

The International Labour Organization, among others, has pointed to group financing as an ideal form of financial intermediation in developing countries. Users of financial services who merge their resources and manage them jointly, as in credit unions, are in a better position than individuals when confronted with banks or money-lenders.

The problem of the credit gap was addressed at a 1995 conference on Africa's informal sector organized by the UN's Office of the Special Coordinator for Africa and the Least Developed Countries. The conclusions focused on designing linkages between the formal and informal sectors, without losing the key qualities of each. Part of the answer was to attract savings into financial institutions that could then be re-lent to small entrepreneurs. Another was to provide government support to intermediate financial institutions that are one step beyond the informal credit associations. Credit unions fit into this category because in Africa they lend anywhere from 10 to 20 per cent of their assets to the micro-enterprise sector.

Ms. Brigitte Späth, of Germany's GTZ, has made a similar point in a paper on small enterprise development in Africa. Cooperation between savings banks and credit associations offers mutual advantages, she says. It can provide banks with an increase in clientele and savings deposits and a reduction in their risks, while small entrepreneurs gain access to the formal banking system and can obtain loans larger than would be possible from a self-help organization or NGO.

The Trickle Up Programme in Malawi provides an example of how credit unions can fit into such efforts. The programme encourages the Malawi Union of Savings and Credit Cooperatives (MUSCCO) to send out a mobile bank to serve micro-entrepreneurs grouped together in village enterprise zones. In the first year of operation, the financial co-op made loans to 225 villagers who were previously unable to get credit.

Mr. Garson, the UNCDF advisor, stresses the importance of seeing credit unions as one component of a larger network of financial institutions. "Credit unions are part of a financial infrastructure and have in place a delivery mechanism which extends services to areas where banks cannot always reach," Mr. Garson says. "At the local level, credit unions can be the retailers of credit and savings and can link up with banks as wholesalers."

Linking up villagers and informal credit groups with the formal credit union sector can open up a wider world of credit, an opportunity that can be strengthened immeasurably if governments see credit unions as a step up in credit capacity. In francophone West Africa, the Banque centrale des Etats de l'Afrique de l'Ouest (BCEAO) has recently agreed to designate credit unions as banks. If effectively realized, such partnerships could be a boon to grassroots economic development.

III. A new role for governments and institutional partners

The role of African governments in finance and development is entering a new stage. For much of the past, credit union development in Africa was stifled by government control of the financial sector, first under colonial rule, then following independence. Emphasis was on large, urban-based, centralized banking units and targeted lending programmes, with little or no support for community-based credit associations. The informal financial sector was neglected.

But with the commencement of far-ranging economic reforms over the past decade, policy objectives often include a strategy for the informal finance sector and support for the unique role of credit unions. It is still unclear what specific financial policy reforms would be most beneficial to the poorer sectors within African communities.

Credit unions have been most successful in countries where they have appropriate enabling legislation that is distinct from banking legislation. In 1994, the West African Monetary Union and the Central African Monetary Area were both on the verge of adopting legislation that would have undermined the uniqueness of credit unions by treating them like commercial banks. Fortunately, the two organizations were willing to sit down with African credit union leaders and representatives of ACCOSCA and WOCCU to develop more supportive draft legislation.

WOCCU has drawn up legislative guidelines for countries where there is either weak or no existing legislation. WOCCU also encourages local groups to provide intensive seminars to educate legislators and regulators about the needs of burgeoning credit union movements.

Though striving towards self-sufficiency, credit unions in Africa nevertheless benefit from financial assistance, training and other forms of support from external development agencies. With greater recognition by the UN, World Bank and

other multilateral and bilateral institutions of the important role that can be played by micro-enterprises and small-scale credit arrangements, new opportunities are opening up.

UN Capital Development Fund

Since the early 1990s, more than one-fourth of the projects backed by UNCDF, which is part of the UN Development Programme (UNDP), have included support for revolving loan funds and credit to intermediaries involved in micro-enterprises. According to UNDP Administrator James Gustave Speth, the UNCDF's new policy emphasis has had "a visible impact at the local level beyond the scope of smaller NGO partners." This has been aided by the Fund's "ability to bring capital assistance down to levels larger multilateral donors cannot reach."

And credit unions are important partners of UNCDF, says Mr. Garson. "For UNCDF to work best we need to have financial intermediaries palatable to banks. NGOs that operate micro-enterprise lending programmes are not always capable of linking up with banks." UNCDF also sees value in the ownership aspects of credit unions. "Because the credit union belongs to the people locally they have a real stake in running a solid operation," Mr. Garson says. "NGOs are weaker in this aspect, because they are often owned and controlled by external organizations and move in and out of a country according to their needs. As a result, NGOs are not always well received."

World Bank

The relationship between the World Bank and the cooperative and credit union movements historically has been a weak one. However, recognizing that in general credit unions have a successful track record in Africa, the World Bank is taking a closer look.

In March 1994, WOCCU signed its first-ever contract for a World Bank-funded project, to establish 10 credit unions in rural Madagascar over a period of two years. This contract signified a new relationship between the World Bank and WOCCU. Their discussions of the positive role of credit unions in Africa come at a critical time: the World Bank is actively exploring the role of micro-enterprise finance in creating employment and turning increasingly towards NGOs rather than just government agencies as development partners.

The March 1995 announcement by the World Bank of an initiative to focus on financial services for the poor is welcome news for credit unions in Africa. It marks a new effort by the Bank to link its economic resources to the development capacity of the NGO community. Credit unions and cooperatives are specifically included as eligible participants in this new anti-poverty programme. "Micro-finance is a proven instrument to assist the very poor," says Mr. Ismail Serageldin, World Bank Vice President for Environmentally Sustainable Development and Chairman of the Consultative Group to Assist the Poorest (CGAP), a coordinating programme of 18 donor institutions. In particular, he stresses, loans to women "translate into improved conditions for the entire household, especially children. Very poor women can pull themselves out of poverty through successive loans of this type."

This anti-poverty initiative creates an opportunity for the World Bank and WOCCU to work together directly. Most of

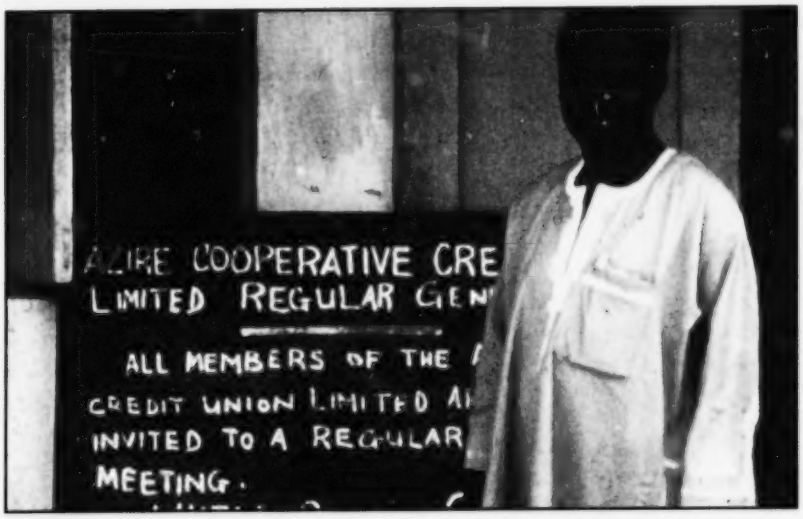
Credit unions in Africa, 1994 *

Affiliates	Credit unions	Members	Penetration (%)[a]	Savings (US$)	Loans (US$)
Botswana	40	8,195	0.82	6,392,268	4,009,271
Cameroon	268	84,900	1.21	20,599,664	11,003,220
Congo	50	40,704	4.07	4,399,483	905,010
Côte d'Ivoire	84	34,873	0.58	2,862,862	585,465
Ethiopia	435	109,368	0.46	17,351,690	18,136,127
Gambia	26	1,250	0.13	18,235	3,529
Ghana	228	50,806	0.64	4,542,033	3,938,502
Kenya	2135	1,285,190	11.68	338,632,679	178,954,130
Lesotho	30	28,020	2.80	na	664,758
Malawi	100	24,113	0.48	985,979	872,076
Mauritius	84	35,000	3.50	7,625,000	7,187,500
Namibia	12	1,200	0.12	11,232	16,158
Nigeria[b]	15,750	2,835,000	5.45	35,458,455	38,778,072
Rwanda	131	366,779	na	2,653,108	548,707
Senegal	20	2,400	0.06	241,583	178,165
Seychelles	1	7,940	18.69	5,093,175	4,026,221
Sierra Leone	53	4,136	0.21	105,235	108,739
South Africa	29	3,860	0.02	518,892	427,916
Swaziland	20	13,536	2.89	4,679,539	4,010,897
Tanzania	250	185,100	1.32	3,050,826	2,417,728
Togo	154	46,521	2.33	7,265,833	4,545,579
Uganda	329	151,770	1.69	2,687,573	2,006,985
Zambia	603	304,650	7.62	395,214	5,600,000
Zimbabwe	61	21,634	0.36	2,401,095	1,946,869
Total	**20,893**	**5,646,945**	--	**467,971,653**	**290,871,624**

* *Affiliates of the African Confederation of Cooperative and Savings and Credit Associations (ACCOSCA). In addition to the countries listed here, Benin, Burkina Faso, Liberia and Zaire have national credit unions affiliated to ACCOSCA, but no data are available on their membership or finances.*

[a] *Membership as a percentage of working age population.*

[b] *1993 figures.*



World Council of Credit Unions

A member outside the Azire Cooperative Credit Union in Cameroon: a partnership of local leadership, supportive NGOs and external donors has helped spur the growth of Cameroon's national credit union movement despite political and economic upheavals.

the requirements for credit union eligibility for the World Bank programme are identical to the objectives of WOCCU and ACCOSCA: a proven track record of serving the poor, businesslike operations with sound policies and high repayment rates in loan programmes, a demonstrated capacity to use funds and a viable business plan to reach financial sustainability and be legally registered.

Donors and ACCOSCA set a new course

For the past 25 years ACCOSCA has obtained about 90 per cent of its funding from donors. However, by the end of 1995, the major donors decided that a new strategy of grassroots development must begin and the existing programme of institutional support must end. The worldwide recession and the growing aid needs of Eastern Europe and Russia are among the factors in the shrinkage of aid budgets. Additionally, the donor climate has changed, with greater emphasis on projects developing self-sufficiency, rather than those remaining continuously reliant on external funding.

ACCOSCA's response to these changing conditions, beginning in 1992, has been to completely review its operations and move many of its existing activities into fee-paying services. In ACCOSCA's work with WOCCU, new funding will focus more on technical support for the credit union base, rather than on direct support for ACCOSCA's operations. ACCOSCA and the national associations will charge fees for technical support contracts. Two other major funding organizations, the Canadian Cooperative Association and the Konrad Adenauer Foundation, support this new ACCOSCA strategy.

A new programme funded by the US Agency for International Development (USAID) is to provide $4.1 mn over five years for WOCCU and ACCOSCA to work with 10 credit unions in each of eight African countries. These 80 "model" projects will provide a benchmark for other credit unions in their countries and elsewhere in the continent. The focus will be on exemplary financial performance, followed by member-driven growth. Mr. Ray Solem, former USAID project officer for this programme, states: "In the next decade, we can expect to see dramatic growth among today's better-established credit unions, largely self-financed. The African credit union movement is going to show its commercial bank counterparts that financial services directed to lower and middle income people can be good business indeed."

The effort to re-structure ACCOSCA into an income-earning association will be a lengthy and difficult task. This next

Growth through partnership in Cameroon

Thanks to a successful partnership of local leadership, supportive NGOs and external donors, the credit union movement in Cameroon has established a firm foothold in the country. With support from the US Agency for International Development (USAID), the World Council of Credit Unions (WOCCU) established three projects, running from 1976 to 1992, that provided technical assistance to the Cameroon Cooperative Credit Union League (CAMCCUL). These projects helped spur the growth of credit unions, even at a time of major political and financial upheavals.

Between 1981 and 1993, the number of credit unions affiliated with CAMCCUL grew from 204 to 263, while membership grew 75 per cent, from 44,778 to 78,686. During the same period savings increased 270 per cent, from $9.8 mn to $36.3 mn; average savings, which were $218 per member in 1981, more than doubled to $461 in 1993. In terms of savings deposits, the Cameroon movement is now the third largest in Africa. Over the same period, loans increased 208 per cent, to $20.5 mn, with loans per member rising from $151 to $260. The loans financed many types of entrepreneurial activities, from grocery and clothing stores to taxis, carpentry and agricultural production.

The project was successful because of the credit union members' confidence in the CAMCCUL staff and leadership. "Members continued to trust their credit unions while most commercial and state-owned banks were collapsing," recounts former WOCCU Cameroon Project Manager, Mr. Chet Aeschliman.

The credit unions were able to survive a national general strike in April 1991, but the period nonetheless demonstrated the difficulties of operating amid civil unrest. Adding to the impact of an already weakened economy, the strike slowed the growth of the credit union movement. The staff of CAMCCUL had to operate behind closed doors and were not able to travel to provide training and support to their member unions. In addition, some banks froze

decade will be the most challenging ever for the pan-African credit union movement as it makes hard choices about the allocation of reduced resources. Success and self-reliance at the local credit union level and self-sufficiency at the national and continental level is now a requirement for the progress of the entire movement.

National organizations seeking donor support must also demonstrate project self-sufficiency. According to Mr. Chris Baker, WOCCU's chief executive officer, "the World Council must become more selective in choosing the credit unions to which it provides assistance through its members. Only those that are willing to charge market rate on savings, improve management skills, and offer services that meet members' needs will receive development resources."

IV. The challenge for credit unions

For credit unions in Africa to be able to realize their full potential, there are a number of priority measures and actions that can be taken by credit unions themselves, as well as by external donors and NGOs and by African governments. Through the concerted and coordinated efforts of these various actors, today's growing but still weak credit unions can be transformed into vital community financial institutions, capable of mobilizing local savings and contributing to broader economic growth and development.

Credit union sector

At a May 1996 conference of mutual savings and credit unions in Senegal's artisanal fishing sector, participants pointed to a number of shortcomings that have hindered their effectiveness: inexperience and poor training of credit union staff, the small size of many of the individual unions and a lack of rigour and transparency in credit union management. Such problems are common throughout Africa's credit union movement, and credit union leaders have put forward a number of ways to help remedy them:

- adopt codes of ethics, clear and transparent policies, and audit procedures;
- institute training and education programmes for the more than 300,000 board and committee members, staff, and volunteer workers of the continent's 20,000 credit unions;
- link up local credit unions within strong national organizations, which can provide supervision and external oversight, offer training and education, interact with government and regulatory agencies and plan national credit union development strategies.

To strengthen credit unions' financial base, they also need to place a greater emphasis on incentives for savings, in relation to their current emphasis on lending. This means paying interest closer to market rate to attract savings and charging closer to market rate for their loans. It also means assuring members that their savings are safe by developing share protection funds, building national and regional liquidity, and diversifying lending activity across a wide range of members' needs (for example, not specializing too narrowly in micro-enterprise development).

By strengthening their savings base and building upward into national organizations, credit unions can have a greater impact in their communities, while also lessening their dependence on donor resources to achieve growth.

External donors and NGOs

External donor agencies and NGOs are looking for results in project funding, and credit unions can serve as reliable partners. This was acknowledged at a forum on micro-finance held in Bamako, Mali, in June 1996, organized by the government of Mali, the World Bank, Women's World Banking and the International Development Research Centre of Canada, and

the assets of CAMCCUL and local credit unions, thereby harming the movement's effectiveness and independence.

Nevertheless, noted a USAID evaluation report, CAMCCUL demonstrated "remarkable institutional resilience and has survived as a financial institution during this turmoil.... This ability to withstand negative environmental factors is derived from CAMCCUL's excellent management and high degree of confidence placed in CAMCCUL by individual credit union members."

CAMCCUL's former manager, Abraham Ndofor, outlined the development of that loyalty: "The democratic nature of the movement, where members feel attached to and in control of their credit union, is critical. Members must be able, on a regular basis, to elect competent leadership, appoint efficient staff, and remove people who are incompetent."

The government's role also was an important factor. It was generally supportive and did not attempt to interfere with the daily management of the credit unions. Mr. Ndofor adds, "This leads to confidence building and attitude change. Then people begin to move their money out of mattresses and into the credit union."

Through its own actions, the Cameroon credit union movement earned the respect and support of the international NGO community. A number of organizations saw that their investment in the movement would bring results. The more effective the results, the more resources were brought in to help build the capacity of the credit unions.

CAMCCUL used such outside resources and technical assistance to build the capabilities of the central organization. The level of services offered to the local credit unions was key to success and competence at the grassroots level. Through its technical assistance grants, CAMCCUL provided education and training for staff, leadership and members. CAMCCUL's inspection service made periodic checks on credit union activities, culminating in an annual audit, with the results publicized to members. CAMCCUL took the lead in installing a computerized data base and electronic monitoring and reporting of operating statistics, working with the National Federation of Credit Unions of Togo to successfully adapt the federation's management information system software.

attended by finance ministers, bank officials and credit union leaders from 16 West African countries. Much of the discussion revolved around the concrete experiences of African credit unions and other forms of community financing, but it also touched on relations among local institutions, government and regional bodies, and donor organizations.

Some conference participants cited the possible negative effects of sudden injections of donor funding, which may overwhelm fragile local structures and undermine the efforts of credit unions to teach their members financial discipline and the importance of orienting to the market. This points to the need for donors to carefully target and assess the potential impact of their assistance.

There also are other ways external donors can better support Africa's credit unions:

- Donors and NGOs need to work with the credit union sector to obtain appropriate credit union legislation and regulation.
- External micro-enterprise funding programmes should directly involve local credit unions, and donors and NGOs should also focus part of their efforts on promoting savings by the micro-enterprise sector, not just providing it with credit.
- External NGOs in particular can become more effective by linking up with credit unions. This would enable them to intertwine their own development resources with the sustainable economic practices of the credit unions.
- Donor organizations, NGOs and governments should support training and technical assistance programmes for the micro-enterprise members of credit unions, as well as help credit union staff become better able to assess loans, risk and exposure.

Governments

Governments in Africa need to support national policies which emphasize the role of credit unions as the tier of intermediary financial institutions between the many forms of popular credit associations and the commercial banking sector. Strengthening this tier is critical to filling a major gap in development financing in most African countries.

Governments should adopt legislation and financial regulations appropriate to the needs of credit unions. Too often credit unions are placed under cooperatives acts or other legislation in which there is minimal monitoring of their activities. As a result, credit cooperatives in some countries have suffered large losses because of a lack of regulation and oversight. At the same time, legislation needs to strengthen the independence and market-oriented growth of the credit union sector.

V. Conclusion

Given their ability to build up the capacities of people and communities, credit unions can make a significant contribution to the long-term economic and social development of Africa from the grassroots up. In this era of scarce government and donor financing, they are well suited to help mobilize local capital and stimulate the growth of small-scale business activities.

But while credit unions overall have a successful track record in Africa, they have by no means approached their full potential. Despite some important advances, Africa's credit union movement is still working to achieve economic independence. African credit unions are going to be judged critically by their capabilities and results. As many credit union leaders acknowledge, a commitment to growth and success as a competitive financial institution is the best way for credit unions to serve their members. Credit unions, they argue, must move from a vision of non-profit welfare communitarianism to one of dynamic community lending institutions meeting members' needs for a wide range of services. Performance and service must be the driving force from bottom to top in the credit union movement in Africa.

The impact of credit unions can be far-ranging, extending well beyond any immediate or medium-term economic gains. As UN Secretary-General Boutros Boutros-Ghali noted, credit unions and other forms of cooperative enterprise often function as "schools for democracy" by familiarizing participants with democratic processes and procedures for member control. "Credit unions," he said, "are a critical tool for building both an equitable and accessible economy and a pluralistic democratic society in Africa."

The most lasting value of credit unions may therefore be their "people-centred" development approach. By fostering pride, self-confidence and financial self-reliance, by teaching the skills necessary to build accountable and responsive local institutions, they help Africans acquire a greater measure of control over their own future. ■

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